



RETIREMENT SYSTEM OF THE CITY OF DETROIT

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MINUTES

Meeting No. 019

Meeting of the General Retirement System Investment Committee

OCTOBER 17, 2016

A meeting of the Investment Committee of the General Retirement System of the City of Detroit was held on Monday, October 17, 2016, at the Retirement System's office at Alley Detroit Center, 500 Woodward Suite 3000; Detroit, Michigan. Ken Whipple, Chair, called the meeting to order at 2:10 p.m. A quorum was present.

ROLL CALL:

Attendance was taken by the Recording Secretary with the following Committee Members present: Ken Whipple, (*Chair*), June Nickleberry, Kerrie L. Vanden Bosch, Robert Rietz, Thomas Sheehan and David Sowerby, (*Vice Chair*) participated via/Teleconference at 4:30 p.m.

Others Present: Cynthia A. Thomas (*Executive Director*), LaMonica Arrington-Cabean (*Manager II*), Ryan Bigelow (*Chief Investment Officer*), Michael VanOverbeke (*General Counsel – VanOverbeke, Michaud and Timmony, P.C.*), Kristin Finney-Cooke and Kevin Leonard, (*Investment Consultants - NEPC*).

Absent: Doris Ewing, (*Secretary*)

Visitors Present: Ronald L. Rose, Executive Director, State of Michigan Department of Treasury of the Financial Review Commission/City of Detroit.

APPROVAL OF AGENDA

Motion #16-19-01: Thomas Sheehan moved to approve the Agenda as presented. Kerrie Vanden Bosch seconded. Motion passed.

APPROVAL OF MINUTES

Motion #16-19-02: Robert Rietz moved to approve the Minutes of Meeting No. 018, held on Monday, August 15, 2016. Kerrie Vanden Bosch seconded. Motion passed.

JOINT COMMITTEE MEETING – (Update)

The General and Police & Fire Investment Committees of the City of Detroit held a Lunch/Meet and Greet.

The following issues were discussed:

- Global Market Update
- UHY Software Project Update
- Pension Plan Governance/Fiduciary Best Practices
- Funding Policy Discussion

~Concludes IC Joint Meeting~

PRESENTATION:

Re: Component II Actuarial Valuation 2015 & 2014

Judith Kermans, Ken Alberts and David Kausch, of Gabriel Roeder Smith & Co. held discussion of the Annual Actuarial Report (Component II) - Legacy Pension Plan.

Motion #16-19-03: Robert Rietz moved to acknowledge the Committee's receipt and review of the draft Annual Actuarial Valuation of Component II for the Fiscal Year ending June 30, 2015 (the 2015 Component II Valuation) from the Retirement System's actuary, Gabriel Roeder Smith and Company ("GRS"); and further to acknowledge the presentation of the draft valuation to the Committee by representatives of GRS; and to approve finalization and issuance of the 2015 Component II Valuation conditioned upon amending the language on Page 3 of the report by deleting "slightly accelerated" and inserting "modified" where noted. Thomas Sheehan seconded. Motion Passed.

Motion #16-19-04: Thomas Sheehan moved to acknowledge the Committee's receipt and review of the draft Annual Actuarial Valuation of Component I for Fiscal Year ending June 30, 2014 (the 2014 Component I Valuation) from the Retirement System's actuary, Gabriel Roeder Smith & Company ("GRS"); to acknowledge the presentation of the draft valuation to the Committee by representatives of GRS; and to approve finalization and issuance of the 2014 Component I Valuation subject to the minor edits and corrections noted by GRS. June Nickleberry seconded. Motion Passed.

PRESENTATION: (VIA/TELECONFERENCE – LOU VOGT)

Re: Fort Shelby Hotel and Residence Loan Amendments

Mr. Lou Vogt, of Banyan Realty, held discussion, via/teleconference with the Committee regarding the Fort Shelby requested loan amendments.

- ***David Sowerby joined the Committee, (via/teleconference at 4:30 p.m.)***

Mr. Vogt reviewed the history of the Retirement System's investment in the Fort Shelby which consists of: (i) a \$17,100,000.00 construction and permanent mortgage loan (the "Hotel Loan") to Fort Shelby Hotel, LLC ("Hotel Borrower") and (ii) a \$14,650,000.00 construction and permanent mortgage loan (the "Residential Loan") to Fort Shelby Residential, LLC ("Residential Borrower") which were originated in 2007 and 2008. On May 3, 2016, Banyan provided a letter to the Board and the IC on the status of the efforts of the Borrower to secure refinancing of the hotel and plans for converting the apartments to condominiums. To allow time for consummation of the refinancing, Banyan recommended a ninety (90) day extension of the maturity of the loan which matured April 30, 2016. Board and then IC approved Banyan's recommendation for the extension with a new maturity date of July 29, 2016.

The Borrower has now made a loan modification request to extend both the existing Hotel Loan and the Residential Loan to December 31, 2018, and to approve conversion of the apartments to condominiums. Mr. Vogt provided the IC with his recommendation to approve the borrower's loan modification request with the exception of the elimination of balances due under the revolving line, and to include a profit participation in the condominium conversion upon achieving specified sales achievements. The key provisions which were recommended by Mr. Vogt after discussion with the Committee are as follows:

Hotel Loan:

1. Loan extension to December 31, 2018.
2. Interest to remain at 6.5% paid current monthly.
3. Principal amortization based on 30 year term beginning February 1, 2018.
4. Elimination of interest deferral and MCP loan; with a pro rata share of revolver to remain.
5. Consummation of City HUD 108 loan restructure by December 31, 2016.
6. Elimination of Chevron and Shore Bank (Urban Partners) by December 31, 2016.

Residential Loan (Apartments):

1. Loan extension to December 31, 2018.
2. Interest at 6.5% paid current monthly.
3. Principal repayment from release price at 80% (Invest Detroit at 20%) of 90% of sales price.
4. Sales administration fee to borrower of 2%.
5. Approve filing of condominium documents subject to approval of Board General Counsel and Special Counsel.
6. Elimination of deferred interest and MCP note balance; with a pro rata share of revolver to remain.
7. Invest Detroit additional advances, if any, repaid with added \$10,000 per unit release price.
8. Profit participation in sales proceeds above a bench mark to be negotiated with borrower.

Motion #16-19-05: Robert Rietz moved to acknowledge the Committee's receipt of the report and recommendation of Banyan Realty Advisors dated October 14, 2016, and to approve the recommendation as provided in the Report by Mr. Vogt at today's meeting with the issue of the elimination of deferred interest and MCP Note balance to be further negotiated by Banyan consistent with the discussion and direction provided by the Committee to Banyan at today's meeting. Kerrie Vanden Bosch seconded. Motion passed.

PRESENTATION: Investment Consultant w/Chief Investment Officer Ryan Bigelow

NEPC

Re: Asset Allocation/Performance Update

Kristin Finney-Cooke and Kevin Leonard, of NEPC, came before the Committee to discuss the Asset Allocation and give a performance update on August Flash Report, along with Chief Investment Officer Ryan Bigelow.

LEGAL REPORT

Michael VanOverbeke presented the following, pursuant to the Committee's request and direction, the Administrative Calendar and the following actionable items:

Re: DUE DILIGENCE, EDUCATION AND TRAVEL

Motion #16-19-06: Thomas Sheehan moved to approve the Due Diligence, Education and Travel Policy as presented to the Committee. Kerrie Vanden Bosch seconded. Motion Passed.

Motion #16-19-07: June Nickleberry moved to acknowledge receipt and authorize issuance of the Third Semi-Annual Compliance Report to the State Treasurer for the General Retirement System of the City of Detroit for the period of January 1, 2016 through June 30, 2016; to authorize execution of the report by the Chairperson; and direct that the report be forwarded to the State Treasurer on behalf of the Investment Committee. Kerrie Vanden Bosch seconded. Motion Passed.

Motion #16-019-08: Thomas Sheehan moved to acknowledge receipt of the Notice of Potential Default dated October 11, 2016 from the State Treasurer and request that an appropriate response and action be taken in response thereto by the General Retirement System. Robert Rietz seconded. Motion Passed.

FUTURE AGENDA ITEMS/DISCUSSION

- Annual Report to the State Treasurer on (ISF) Program
- Discuss calendar for the rest of this year and next year

PUBLIC/MEMBER COMMENTS

- None

ADMINISTRATIVE SUB-COMMITTEE MEMBERS

- Doris Ewing and David Sowerby

INVESTMENT COMMITTEE COMMENTS

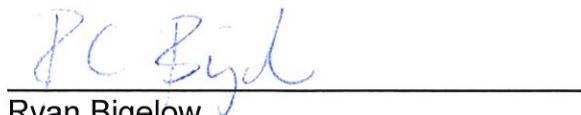
- Timeliness of Reports

Minutes – GRS Investment Committee Mtg.
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ADJOURNMENT

There being no further business before the Investment Committee, **Chairman Whipple** adjourned the meeting at 5:45 p.m. The Investment Committee's next meeting is scheduled for **Monday, December 5, 2016**, at 12 Noon in the Retirement Systems' Conference Room, 500 Woodward Avenue Suite 3000; Detroit, Michigan 48226.

RESPECTFULLY SUBMITTED,



Ryan Bigelow
Chief Investment Officer

Administrative Assistant II: Rita Coats